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PP RUEHDE RUEHDIR  
DE RUEHMK #0815 2391107  
ZNR UUUUU ZZH  
P 271107Z AUG 07  
FM AMEMBASSY MANAMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 7182  
INFO RUEHEG/AMEMBASSY CAIRO PRIORITY 0970  
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY  
RUCPDOC/USDOC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS MANAMA 000815

SIPDIS

SENSITIVE  
SIPDIS

CAIRO FOR SEVERENS  
COMMERCE FOR 4520/ITA/MAC/ONE/HOFFMAN  
TREASURY FOR ROSE

E.O. 12958: N/A

TAGS: ECON EFIN ETRD ECTRD BA

SUBJECT: FITCH UPGRADES BAHRAIN'S SOVEREIGN CREDIT RATING

¶1. (U) International financial ratings agency Fitch August 24 upgraded its sovereign credit rating for Bahrain from "A-" to "A," with a stable outlook. "Improvements in domestic and external solvency ratios, continued strong-non oil growth and advances in economic and political reform explain the rating upgrade," said Fitch Middle East and Africa Sovereign Team Associate Director Charles Seville. In announcing the upgrade, Fitch noted that Bahrain enjoyed GDP growth of 7.1 percent in 2006, driven mainly by the services sector in general and financial services in particular. The Fitch statement said the GOB had capitalized on "benign external conditions to pursue structural and labor reforms" and said the emergence of an opposition bloc in the national assembly was a positive development for the political climate. The Fitch upgrade follows Standard and Poor's July 26 affirmation of an "A" long-term and an "A-1" short-term sovereign credit rating for Bahrain on the basis of strong financials.

¶2. (SBU) Acknowledging the Fitch announcement, Central Bank of Bahrain Governor Rashid Al Miraj said August 26 in the Gulf Daily News, "While higher oil prices have helped, Bahrain's economic buoyancy is due as much to the deep economic and structural reforms being implemented." (Note: Bahrain's financial services sector now accounts for roughly 28 percent of GDP, more than double the 12 percent share contributed by oil. However, increased liquidity resulting from high oil prices has been an undeniable spur to the growth of the financial sector. Petroleum processing profits of largely state-owned firms account for more than 70 percent of government revenues. End Note.)

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